



OLENE S. WALKER
Governor
GAYLE F. McKEACHNIE
Lieutenant Governor

State of Utah

DEPARTMENT OF NATURAL RESOURCES

Division of Oil, Gas & Mining

ROBERT L. MORGAN
Executive Director

LOWELL P. BRAXTON
Division Director

February 27, 2004

Wells Fargo Bank, Northwest N.A.
326 South Main Street
Milford, Utah 84751
(435) 387-2489

Attention: Pancho Chavez, Branch Manager

Subject: Reclamation Surety, Certificate of Deposit for Basin Perlite Company's Pearl Queen Mine Site, M/001/027, Beaver County, Utah
Certificate of Deposit No. [REDACTED]; Principal Amount, \$74,941

This letter describes the mutually agreed upon instructions of the below signed parties to Wells Fargo Bank (Bank), regarding the control, redemption, and release of Bank's above-described certificate of deposit (CD), which is being used as a surety to guarantee the availability of reclamation funds for the Pearl Queen Perlite Mine (Mine Site), Beaver County, Utah. It is the intention of the parties that the CD be utilized as surety to guarantee that \$74,941.00 in reclamation funds will be available to the State of Utah, Division of Oil, Gas & Mining (Division), the United States Department of the Interior - Bureau of Land Management (USDOI - BLM) and the School and Institutional Trust Lands Administration (SITLA), upon demand in the event that the operator of the Mine Site is unable or unwilling to complete reclamation of the mine site in compliance with applicable state law and regulations.

Ownership and Renewal:

Ownership of the CD is retained by Basin Perlite Company, a Colorado corporation, ("Owner"), but it is held by Bank for the benefit of the State of Utah, Division of Oil, Gas & Mining, the USDOI - BLM and SITLA and is subject to the terms and conditions described in this agreement. The CD shall automatically renew indefinitely until either redeemed or released by both the Director of the Division

and the authorized officers of the USDOJ – BLM and SITLA. All interest accrued on this CD will be reinvested into the CD account.

Redemption:

The CD may only be redeemed (i.e., called on demand), pursuant to the written instruction or demand of the Director of the Utah Division of Oil, Gas & Mining, the authorized officers of the USDOJ – BLM and SITLA to the Bank. Upon the instruction and demand of the Director and authorized officers of the USDOJ – BLM and SITLA the full initial amount of the CD plus any accrued interest shall be transferred to the State of Utah, Division of Oil, Gas and Mining. Owner agrees and irrevocably instructs Bank that neither the Owner, nor any other person claiming an ownership interest in the CD which is derived from the Owner, shall have the authority to prevent the Bank from carrying out the Director's instruction to redeem the CD. If a signature card is prepared, it shall be drafted consistent with the requirement that only the Director of the Division and the authorized officers of the USDOJ – BLM and SITLA may redeem the CD.

Release:

The bank shall release the CD only upon the written instruction of the Director of the Division and the authorized officers of the USDOJ – BLM and SITLA to the Bank. Upon release, the terms and conditions of this agreement are no longer in effect, and the unconditioned control of the CD shall be returned to the Owner, or their legal successors-in-interest.

Accrued Interest:

Prior to release or redemption, all interest which accrues by the CD shall be reinvested in the CD account, until such time as the beneficiaries may instruct the Bank where to transfer such interest. In no event shall the Bank transfer any amount from the CD which would cause the redemption amount of the CD to be less than the initial amount, \$74,941.00, plus all accrued interest. All tax liabilities for accrued interest shall remain the sole responsibility of the Owner.

Accrued Interest:

Prior to release or redemption, all interest which accrues by the CD shall be reinvested in the CD account, until such time as the beneficiaries may instruct the Bank where to transfer such interest. In no event shall the Bank transfer any amount from the CD which would cause the redemption amount of the CD to be less than the initial amount, \$74,941.00, plus all accrued interest. All tax liabilities for accrued interest shall remain the sole responsibility of the Owner.

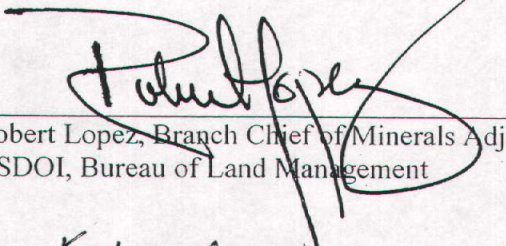
Bank will not be held liable for any dispute between the parties.

Agreed Upon By:




Lowell P. Braxton, Director
Utah Division of Oil, Gas & Mining

Date: 3-16-04



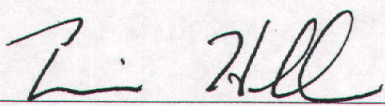
Robert Lopez, Branch Chief of Minerals Adjudication
USDOI, Bureau of Land Management


Date: 3/9/04



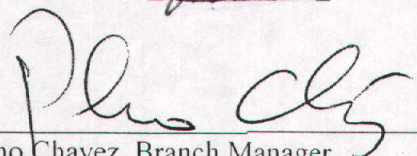
Kevin S. Carter, Director
School and Institutional Trust Lands Administration

Date: 10 Mar 04



Tim Hall, President
Basin Perlite Company
Tax ID Number: 

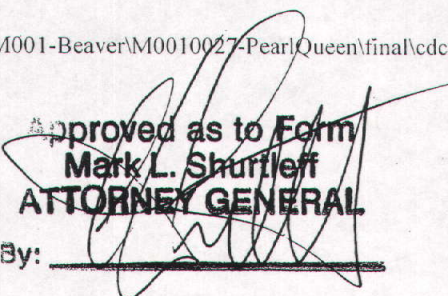
Date: 3/2/4



Pancho Chavez, Branch Manager
Wells Fargo Bank

Date: 3-3-04

O:\M001-Beaver\M0010027-PearlQueen\final\cdcover-2ndjoint-ltr-02272004-.doc



Approved as to Form
Mark L. Shurtliff
ATTORNEY GENERAL
By: _____

Time Account Receipt/Disclosure

Bank name

Wells Fargo Bank , N.A.

Time Account number

Date opened

Term of Time Account

03/03/2004

60 months days

Maturity date

Interest rate

Fixed rate

Variable rate

Annual percentage yield

Your Time Account will mature on

03/03/2009

3.15

X

3.20

Interest will be paid

EVERY 03 MONTHS AND AT WITHDRAWAL

The method of interest payment will be

BY ADDING TO PRINCIPAL

Renewability

Taxpayer Identification Number (TIN)

YOU WILL AUTOMATICALLY RENEW MY TIME ACCOUNT

84-1518463

AT MATURITY UNLESS I NOTIFY YOU OTHERWISE.

The Bank is opening the above described Time Account for your deposit of

SEVENTY FOUR THOUSAND NINE HUNDRED FORTY ONE AND 0/100

\$ 74,941.00

Your name and address

FOR THE BENEFIT OF THE STATE OF UTAH DIVISION OF OIL GAS &
MINING & U.S. DEPT OF INTERIOR - BLM & UTAH SCHOOL & INSTITUTIONAL
TRUST LANDS ADMIN - OWNER BASIIN PERLITE COMPANY - PEARL QUEEN
MINE M/001/027
PO BOX 490
MILFORD UT 84751-0490

03/03/2004 11:02

U0176 02865 Bank# 00119

This is a receipt. It need not be presented at the time you obtain payment from the Bank.

W60168

Time Account Receipt/Disclosure

Bank name

Wells Fargo Bank , N.A.

Time Account number

Date opened

Term of Time Account

03/03/2004

60 months days

Maturity date

Interest rate

Fixed rate

Variable rate

Annual percentage yield

Your Time Account will mature on

03/03/2009

3.15

X

3.20

Interest will be paid

EVERY 03 MONTHS AND AT WITHDRAWAL

The method of interest payment will be

BY ADDING TO PRINCIPAL

Renewability

Taxpayer Identification Number (TIN)

YOU WILL AUTOMATICALLY RENEW MY TIME ACCOUNT

84-1518463

AT MATURITY UNLESS I NOTIFY YOU OTHERWISE.

The Bank is opening the above described Time Account for your deposit of

SEVENTY FOUR THOUSAND NINE HUNDRED FORTY ONE AND 0/100

\$ 74,941.00

Your name and address

FOR THE BENEFIT OF THE STATE OF UTAH DIVISION OF OIL GAS &
MINING & U.S. DEPT OF INTERIOR - BLM & UTAH SCHOOL & INSTITUTIONAL
TRUST LANDS ADMIN - OWNER BASIIN PERLITE COMPANY - PEARL QUEEN
MINE M/001/027
PO BOX 490
MILFORD UT 84751-0490

03/03/2004 11:02

U0176 02865 Bank# 00119

This is a receipt. It need not be presented at the time you obtain payment from the Bank.

W60168